

IRS News Release

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Government Moves to Curb Telephone Tax Refund Fraud; Tax Preparers Indicted in Four States, One Enters Guilty Plea

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WASHINGTON — Moving to curb abuse of this year's one-time telephone excise tax refund program, the Justice Department and the Internal Revenue Service obtained federal indictments this spring against tax preparers who allegedly filed thousands of dollars in fraudulent refund claims.

In recent weeks, the alleged refund schemes involving preparers in Miami, Fla., Norcross, Ga., Dallas, Texas, and Riverside, Calif., led to federal indictments. This week, the defendant in the Miami case pled guilty to one count of making and presenting fraudulent federal income tax refund claims to the IRS. The indictments stemmed from search warrants carried out this winter by special agents from IRS Criminal Investigation

"We saw limited but serious instances of abuse," said IRS Acting Commissioner Kevin M. Brown. "We used our enforcement resources to move swiftly and decisively to protect this valuable refund for the vast majority of taxpayers and tax preparers who are requesting it properly. We want everyone who is eligible for the telephone tax refund to get it but not to inflate the amount requested."

The IRS has been monitoring telephone excise tax refund requests for potential problems. Shortly after the tax-filing season opened in early January, the agency observed problems with returns from some tax preparers that indicated possible criminal intent. Along with the search warrants carried out by the IRS, other tax preparers across the nation who prepared questionable telephone tax refund requests received visits from IRS revenue agents (auditors) and special agents. The IRS has advised taxpayers to stay away from unscrupulous promoters and tax preparers who make false claims about the telephone tax refund and suggest that many, if not most, phone customers can get hundreds of dollars or more back under this program.

At the same time, the IRS this year urged taxpayers filling out their 2006 returns not to overlook the telephone tax refund. About 30 percent of taxpayers did not request this special refund so far this year, and although some of them may not be eligible, others may qualify and not know it. The IRS urges eligible taxpayers who already filed, but overlooked the refund, to request it by filing an amended return on Form 1040X.

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The government stopped collecting the long-distance excise tax last August after several federal court decisions held that the tax does not apply to long-distance service as it is billed today. Officials also authorized a one-time refund of the federal excise tax paid on service billed during the previous 41 months, stretching from the beginning of March 2003 to the end of July 2006. The tax continues to apply to local-only phone service.

To make the refund easier to figure, the government established a standard refund amount, based on personal exemptions, ranging from \$30 to \$60. If taxpayers have phone bills and other records, they can request the actual amount of excise tax paid. Though using the standard amount is optional, it is easy to figure and approximates the eligible amount for most individual taxpayers. Taxpayers only need to fill out one line on their return, and they don't need to present proof to the IRS.

The most reliable information on this unique refund can be found in the Telephone Excise Tax Refund section of IRS.gov. There, taxpayers can download forms, find answers to frequently-asked questions and link to participating private-sector Free File partners offering free electronic-filing services.

Attachments:

- California indictment
- Florida guilty plea
- Georgia indictment
- Texas indictment